



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE

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CALIFORNIA SELLS \$1.4 BILLION IN VARIABLE RATE GENERAL OBLIGATION BONDS

SACRAMENTO, CA – State Treasurer Phil Angelides announced today the inauguration of the variable rate general obligation bond program. The \$1.4 billion general obligation (G.O.) bond sale consisted of \$900 million in variable rate demand bonds and \$500 million in auction rate bonds. The State will use the proceeds to fund construction and repair of K-12 schools.

The sale marks the introduction of variable rate and auction rate components for a G.O. offering by the State of California and broadens the diverse investor base in California bonds. The use of variable rate bonds is part of the Treasurer's Strategic Debt Management Plan to achieve debt service savings that directly benefit the State's General Fund without extending the life of the State's overall G.O. bond program. The \$1.4 billion variable rate bonds represents 5.0% of total outstanding G.O. debt. The variable rate bond series have both a daily and weekly interest rate reset. The auction rate bond series will include seven-day, thirty-five-day, and six-month auctions.

Another important feature of this sale is the establishment of an Optional Registry by our office to allow for an electronic copy of notices sent to the Depository Trust Company or the securities repositories to be sent to each beneficial owner. This is a service we are offering to our variable rate bond investors to help them receive timely information about changes to the program. This feature is incorporated into the Treasurer's website at www.treasurer.ca.gov.

The three major rating agencies, Standard and Poor's, Moody's Investors Service, and Fitch Ratings, rated the variable rate bonds Series 2003A AA-, Aaa, and A+, Series 2003B AA-, Aaa, AA-, Series 2003C A+, Aaa, and AA-, and the auction rate bonds A, A2, and A, respectively. The bonds sold in a negotiated sale by a team of underwriters led by senior manager Lehman Brothers. Orrick, Herrington & Sutcliffe LLP and Curls Brown LLP served as co-bond counsel, and Hawkins, Delafield & Wood and Orrick, Herrington & Sutcliffe LLP served as co-disclosure counsel. Montague DeRose and Associates served as financial advisor.